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RUEHCV/AMEMBASSY CARACAS 4823
RUEHPE/AMEMBASSY LIMA 5161
RUEHMN/AMEMBASSY MONTEVIDEO 6416
RUEHQT/AMEMBASSY QUITO 0054
RUEHSG/AMEMBASSY SANTIAGO 0052
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C O N F I D E N T I A L LA PAZ 001477

SIPDIS

E.O. 12958: DECL: 09/14/2019
TAGS: [ECON](#) [EMIN](#) [PREL](#) [PGOV](#) [EINV](#) [BL](#)
SUBJECT: SUSPENSION OF MINING ACTIVITY ON CERRO RICO

REF: LA PAZ 1053

Classified By: Charge d'Affaires John Creamer for reasons 1.4 (b, d)

11. (C) SUMMARY. Pressure from the local community in Potosi has led to a directive from the government of Bolivia (GOB) for Manquiri, a subsidiary of U.S. mining company Coeur d'Alene, to suspend mining activity at their San Bartolome silver mine at altitudes above 4,400 meters. Although this is in violation of the existing contract which allows mining operations up to 4,700 meters, Manquiri hopes to negotiate a solution amenable to both sides within the next few weeks.
END SUMMARY.

12. (U) Empresa Minera Manquiri, a subsidiary of U.S. mining company Coeur d'Alene, started operations at San Bartolome silver mine in June 2008. San Bartolome is located on the historic Cerro Rico in the southern Bolivian city of Potosi. The Cerro Rico ("Rich Hill") in Potosi has yielded silver since the 1500s. Silver from Potosi funded the Spanish empire, but San Bartolome's silver is the first metallic silver to be extracted from the Cerro Rico for decades.

13. (C) Manquiri has been concerned for months that the GOB would alter its mining contract to limit operations to below 4,400 meters, thereby reducing its access to silver deposits. Donald Gray, Senior Vice-President of South American Operations, told EconOff that the GOB has been facing pressure for months from the local civic committee to amend the contract. The committee asked the government for a new highway, a new airport, a new cement plant, as well as increased restrictions on Coeur's operations. Since the GOB is not in a position to deliver on the first three requests, it can save face with the local community by fulfilling the fourth (reftel). Coeur's contract stipulates that it is allowed to mine up to an altitude of 4,700 meters. On October 17, the GOB sent Manquiri a letter suspending any mining above 4,400 meters, following increased protests from the local civil committee. The civic committee claims they want to protect the mountain, which is an historic monument.

14. (C) Coeur has already invested \$240 million in the project and expects that at the current tax rate and price of silver it will take most of the mine's projected 14-year life span to recoup that investment. This new restriction will

significantly diminish profitability. Manquiri has requested a meeting with the GOB (the Ministry of Mines and COMIBOL, the state-run mining company) for the second week of November to discuss the restriction and to negotiate an agreement that will be amenable to all sides.

15. (C) COMMENT. Manquiri has over 250 employees at San Bartolome, who, despite the current protests, have no concerns for their safety. Manquiri President Humberto Rada told EconOff that the local community was heavily involved during the contract negotiations five years ago. He believes that they are now just playing political games and hopes that requested negotiations in November will resolve the issue. EconOff assured Rada that the Embassy stands ready to engage the GOB if Manquiri believes it could be helpful. END COMMENT.
CREAMER